

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 ACDA-07 IO-13 OMB-01 TRSE-00 EB-07
CIAE-00 COME-00 INR-07 LAB-04 NSAE-00 SIL-01
PM-04 H-01 L-03 NSC-05 PA-01 PRS-01 SP-02 SS-15
USIA-06 /091 W
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R 251023Z JUN 77 ZDK
FM AMEMBASSY LISBON
TO SECSTATE WASHDC 1909
INFO AMEMBASSY BONN
AMEMBASSY LONDON
AMEMBASSY MADRID
AMEMBASSY MOSCOW
AMCONSUL OPORTO
AMEMBASSY PARIS
USMISSION NATO
AMCONSUL PONTA DELGADA
DIA WASHDC
USCINCEUR VAIHINGEN GER

C O N F I D E N T I A L SECTION 1 OF 2 LISBON 4895

E.O. 11652: XGDS-3
TAGS: PINS PO
SUBJECT: SA CARNEIRO LOOKS TO EANES

SUMMARY: PSD LEADERS SA CARNEIRO AND BARBOSA DE MELO
TOLD THE AMBASSADOR THAT THE PSD-CDS "CONVERGENCE" WAS
A PARLIAMENTARY AGREEMENT AND NOT AN ALTERNATIVE TO
THE CURRENT GOVERNMENT. SA CARNEIRO HAD JUST LEFT A
MEETING WITH PRESIDENT EANES, WHO ENCOURAGED "RECONCILIATION"
BETWEEN THE PARTIES. HE WAS SUPPORTIVE OF THE GENERAL THRUST
OF NEW LEGISLATION ON WORKER CONTROL, STRIKES, INDEMNIFICATION
AND AGRICULTURAL REFORM BUT BLAMED SOCIALISTS FOR
SPECIFIC DEFICIENCIES AND OVERALL DELAYS. THERE IS
NO INDICATIONS THAT SA CARNEIRO GOT ANY ENCOURAGEMENT FROM
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EANES, (INDEED HE MAY HAVE RECEIVED A MILD CHIDING), BUT THE
PSD LEADER SEEMS INCLINED TO LOOK TO EANES AS HIS BEST HOPE
OF GETTING A SHARE OF POWER. END SUMMARY.

1. PSD PRESIDENT SA CARNEIRO AND VICE PRESIDENT BARBOSA DE
MELO MADE FOLLOWING COMMENTS DURING JUNE 24 LUNCH WITH THE
AMBASSADOR. THEY HAD JUST COME FROM A 2 1/2 HOURS MEETING

WITH PRESIDENT EANES.

2. PRAISE FOR PRESIDENT: SA CARNEIRO PRAISED THE ROLE OF PRESIDENT EANES, WHO HE SAID WAS RESPONSIBLE FOR THE MAINTENANCE OF DEMOCRACY. THE PRESIDENT WAS WELL INFORMED AND INCREASINGLY APT IN DEALING WITH PROBLEMS. EANES IS PARTICULARLY WELL INFORMED ON THE CURRENT STRENGTH OF THE POLITICAL PARTIES AND WAS CONCERNED THAT THE PCP HAD KICKED OFF A NEW OFFENSIVE IN THE CGTP STREET DEMONSTRATIONS OF JUNE 22. THE PRESIDENT ENCOURAGED CONCILIATION AMONG THE DEMOCRATIC PARTIES IN HIS MEETING WITH SA CARNEIRO, WHO SAID HE BELIEVED EANES WAS ASSUMING A CORRECT AND INCREASINGLY DOMINANT ROLE. SA CARNEIRO CITED EANES'S MEETING THIS WEEK WITH PRIME MINISTER SOARES AND FOREIGN MINISTER MEDEIROS FERREIRA TO "DISCUSS DAY-TO-DAY MATTERS" AS EVIDENCE OF THE ACTIVE PRESIDENTIAL ROLE.

3. PSD-CDS CONVERGENCE IS NO ALTERNATIVE: THE PSD-CDS "CONVERGENCE" HAD STIMULATED THE HOPES OF MANY FOR AN ALTERNATIVE TO THE PRESENT GOVERNMENT. WHEN THE FACT SUNK IN THAT THE PSD-CDS CONVERGENCE WAS NOT A REAL ALTERNATIVE BUT ONLY A PARLIAMENTARY AGREEMENT, THE DISILLUSIONMENT OF THE CONSERVATIVE OPPOSITION WOULD BE EVEN GREATER. SA CARNEIRO AND DE MELO WERE CRITICAL OF THE SOCIALISTS FOR NOT ACCEPTING THE PSD INVITATION TO BEGIN A DIALOGUE. THEY SAID THE PS COULD EASILY HAVE INCLUDED THE PCP IN THE CONFIDENTIAL

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DIALOGUE IN ORDER TO AVOID THE IMPRESSION OF A COALITION-IN-THE-MAKING. THEY COULD THEN HAVE WORKED WITH THE PSD AND CDS ON SPECIFIC ISSUES.

4. KEY LEGISLATION IN TROUBLE: ASSEMBLY ACTION ON THE MOST IMPORTANT MEASURES WILL NOT BE COMPLETED BEFORE THE JULY 23 END OF THE SPECIAL LEGISLATIVE SESSION. SA CARNEIRO SAID THE PS AND PCP HAVE ALREADY AGREED IN COMMITTEE TO SOLICIT COMMENT FROM INTERESTED PARTIES ON THE AGRARIAN REFORM LEGISLATION OVER THE NEXT MONTH, THUS DELAYING COMMITTEE CONSIDERATION OF THIS PROPOSAL UNTIL JULY 21. THE COMMUNISTS ARE ANXIOUS TO PUT OFF NEW AGRARIAN REFORM LEGISLATION AS LONG AS POSSIBLE TO MAINTAIN THEIR DOMINANCE IN THE SECTOR. DE MELO SAID THE SOCIALISTS HAD ALSO MADE IMPORTANT CONCESSIONS TO THEIR LEFT-WING AND TO THE COMMUNISTS IN THE REVISED LAW ON STRIKES. HE CITED THE REMOVAL OF A PROHIBITION ON STRIKES DURING THE LEGAL VALIDITY OF A COLLECTIVE CONTRACT. SA CARNEIRO SAID THE SOCIALISTS WERE NOW PUSHING FOR PRIORITY CONSIDERATION OF THE MEDIUM-TERM PLAN, AN "IDEOLOGICALLY ORIENTED" STATEMENT OF INTENTIONS FOR LESS IMPORTANT THAN OTHER LEGISLATION. LEGISLATION ON INDEMNIZAION

WAS ALSO IN DANGER. EARLIER PS-PSD NEGOTIATIONS HAVE NOT BEEN FOLLOWED UP, AND THE PSD IS NOW SEEKING TO RECONCILE ITS POSITION WITH CDS PROPOSALS. THE ORIGINAL PS PROPOSAL ON WORKER CONTROL MADE FAR TOO MANY CONCESSIONS TO THE LEFT WING. THE PS IS NOW MORE FLEXIBLE ON THIS ISSUE.

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5. CONSERVATIVE MILITARY NOT A DANGER: SA CARNEIRO SAID RIGHT WING MILITARY DID NOT POSE A THREAT AT THIS TIME. THE FAR RIGHT WAS NOT HAVING MUCH SUCCESS ORGANIZING IN THE NORTH EITHER, ALTHOUGH KAULZA DE ARRIAGA'S MIRM HAD FORMED A SHADOW GOVERNMENT. SA CARNEIRO WAS ENCOURAGED THAT THE LABOR CLIMATE HAD IMPROVED CONSIDERABLY IN THE CENTRAL AND NORTHERN REGIONS.

6. THE LOAN: THE AMBASSADOR HAVE SA CARNEIRO AND BARBOSA DE MELO A DETAILED EXPLANATION OF THE PARIS AGREEMENT ON A \$750 MILLION BALANCE-OF-PAYMENTS LOAN TO PORTUGAL. THE AMBASSADOR STRESSED THAT THE ONLY ECONOMIC CONDITION IMPOSED WAS FOR PORTUGAL TO NEGOTIATE A SECOND TRANCHE WITH THE IMF. SA CARNEIRO, WHO RECENTLY HAS ATTACKED THE

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PS FOR ITS DEPENDENCE ON FOREIGN LOANS, "THE CONDITIONS OF WHICH ARE HIDDEN FROM THE ASSEMBLY," ASKED QUESTIONS, BUT DID NOT COMMENT.

7. COMMENT: PRESIDENTIAL ADVISER LUIS MARTINS TOLD THE AMBASSADOR JUNE 23 THAT THE PRESIDENT INTENDED TO PUSH THE PSD HARD ON THE NEED TO COOPERATE ON ESSENTIAL LEGISLATION. THE EFFECTS OF THE PRESIDENT'S MESSAGE WERE EVIDENT IN SA CARNEIRO'S DISTRACTED MANNER AND HIS REFERENCE TO THE PRESIDENT'S ENCOURAGEMENT OF CONCILIATION AMONG THE DEMOCRATIC PARTIES. SA CARNEIRO METICULOUSLY DESCRIBED EACH PIECE OF LEGISLATION IN A WAY THAT CAST THE BLAME FOR DELAYS ON THE SOCIALISTS, BUT HE AVOIDED DIRECT CRITICISM OF THE SOCIALISTS. THIS MAY BE LESS A SIGN THAT HE IS OPEN TO COLLABORATION THAN A CERTAIN FORMALITY THROUGHOUT THE LUNCH AS A RESULT OF A MINOR PROTOCOL INCIDENT BETWEEN HIM AND THE EMBASSY DURING THE RECENT VISIT OF THE VICE PRESIDENT (THE LUNCH WAS AN EFFORT ON OUR PART TO RESUME THE DIALOGUE). THE SUBSTANCE OF EANES MESSAGE ON CONCILIATION MAY HAVE MISSED HIM; WHILE HE HEARD THE WORDS, HE TOLD US THE ONLY HOPE WAS A GOVERNMENT BASED ON A PRESIDENTIAL MAJORITY. OUR READING OF THE PRESIDENCY IS THAT EANES IS NOWHERE NEAR SUCH A MOVE. NEVERTHELESS, EANES MAY HAVE HAD ENOUGH IMPACT ON SA CARNEIRO TO ENABLE HIM (EANES) TO TAKE THE NECESSARY STEPS INCLUDING A SPECIAL SESSION IF NECESSARY - TO SEE THAT THE MAJOR PIECES OF ECONOMIC LEGISLATION ARE PASSED THIS SUMMER.
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